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Company Pitch to Docs: Pocket \$44,000!

How federal subsidies, cloud computing, and a decision to give its product away led to dizzying growth for one EMR company.

By Deborah Erickson

An electronic medical records company called Practice Fusion has an offer that sounds too good to be true. Step 1: Download free software. Step 2: Collect \$44,000.

While not quite so simple in practice, the offer is real, and it helps explain why Practice Fusion is shaking up the multibillion-dollar market for doctors' record systems. In four years, the company has grown to serve 120,000 medical professionals who now are keeping records on 19 million patients. That represents about 8 percent of the U.S. population.

Until recently, doctors who wanted to install an electronic medical record (EMR) system could expect to pay tens of thousands of dollars. But now companies including Practice Fusion, Medgen, and AthenaHealth are pushing sharply discounted Web-based programs, akin to free e-mail services, in the hopes of building up valuable user bases.

Propelling the spread of low-cost EMR software are federal incentives, passed as part of the Obama administration's economic stimulus package, that offer bonuses of between \$44,000 and \$64,000 to doctors, dentists, and even podiatrists who begin using electronic medical records for patients covered by Medicare and Medicaid.

Among EMR vendors, Practice Fusion has gone the furthest by cutting its price tag to zero. The company makes money by showing users banner ads from drug companies and other businesses. (The company will turn off the ads for a fee of \$100 a month.) "It's free in the same way that Google and Facebook are free," says CEO and cofounder Ryan Howard.

While Practice Fusion is still no medical Facebook, that appears to be the direction the company would like to move in. Executives say that within a year it will begin offering free software to patients, letting them view their records and even add to them. It also hopes to open the software platform to outside app developers.

Nurse practitioner Denis Tarrant is one of Practice Fusion's users. When he started his house-call business in New York City in 2002, he lugged shoulder bags packed with paper medical charts on the subway. These days, 17,000 house calls later, Tarrant travels light. Flipping open an iPad, he can pull up the EMR of an elderly client, then zoom in to view results of blood tests, jot down notes, and order prescriptions.

The EMR field is still dominated by vendors selling costly systems installed by high-priced consultants. Tarrant, a board member of the New York State Nurse Practitioner Association, says that before choosing Practice Fusion he priced out systems listed at \$40,000 to install plus \$1,500 per month per user, in addition to \$1,750 in training fees. "I couldn't understand what they were providing that was worth anything near that amount of money," he says. He decided to invest instead in hiring another nurse practitioner and expanding his business.

Tarrant has now been using Practice Fusion for two years. This summer, the software qualified under the U.S. government incentive program. Because Tarrant treats Medicaid patients, he is now eligible to receive \$64,000 paid out over five years for continuing to use it.

Subsidies aside, the appeal of Practice Fusion's business model stems in part from its use of cloud computing. Its software, as well as all patient data entered by users, is stored centrally on the company's own computer servers. Users access both the software and the data through a Web browser.

The cloud approach is eliminating hassles for the individual practitioners and small medical practices that currently make up most of the service's users. "If my software goes down, it's Practice Fusion's problem," Tarrant explains. He has seen the system fail only once in two years. On that occasion, he says, "they fixed it in three hours, for free."

Storing medical records in the cloud also means doctors can access them from anywhere, says Andrew Bronstein, an orthopedic surgeon who uses Practice Fusion at the clinic he runs in Las Vegas. Whether he's at the office, at home, or at "some hotel computer on vacation in Mexico," he says, "I am 15 seconds away from looking at a medical record."

Practice Fusion won't disclose whether it is profitable yet. The company's main goal appears to try to grow as quickly as possible. Chief medical officer Robert Rowley, a general practitioner who still sees patients two days a week, says that within a year the company plans to introduce software for consumers as well, "so that you, the patient, can log in ... see your allergies and immunizations, your medications and lab results."

Practice Fusion's one-size-fits-all software is not yet the dominant EMR platform in the United States. Currently, more patient records overall are stored in systems sold by established vendors that install complex, highly customized software for large hospital systems.

Practice Fusion thinks it may jump ahead by copying software strategies used by sites like Facebook and Google Maps, including adopting an open API (application programming interface) that could let anyone develop apps that connect to its software platform. For instance, Rowley imagines patients using apps written by outside companies to upload personal health data from glucose monitors or bathroom scales. All those data flows could be "monetized," says Rowley, although exactly how remains unclear.

Last year, Practice Fusion sponsored a developer challenge, letting programmers go to work on 15,000 medical records in which identifying information had been removed. The winner, medical student John Schrom, created an app to track how diseases spread across the country. "Opening APIs has unleashed huge creativity in other industries," notes Matthew Holt, a health-care IT consultant based in San Francisco.

However, Practice Fusion doesn't yet allow outsiders to crunch its patient data, says Rowley. The company is still trying to work out ways to make data available to apps, researchers, and other companies, while protecting patient privacy. The company is patenting some of its ideas, but rules for transmitting patient records over the Internet—or analyzing them with apps—are still unclear, or nonexistent.

That means it might take a while for Practice Fusion, or anyone else, to become the Facebook of medical records. "There is a lot of policy discussion, and will continue to be, about how the government regulates the transmission and use of patients' private information," says Rowley. "We are cognizant we are custodians of data for physicians."

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